

# Seattle: Open for Business

A Report by

**The Mayor's Economic Opportunity Task Force**



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City of Seattle



*The Mayor's Economic Opportunity Task Force*

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## **Seattle: Open for Business**

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### **EXECUTIVE SUMMARY**

In 2001, Seattle's job base suffered blows both seismic and economic. In response, in the spring of 2002, Mayor Greg Nickels convened an Economic Opportunity Task Force of business, labor, community and education representatives to create a "to do" list that would identify ways city government can better help to support and enhance the city's job base.

In their deliberations, task force members identified issues involving transportation, permitting, utility infrastructure and rates, land use and services – or lack of services -- for small businesses. They identified the need for new initiatives requiring cooperation between city government, the University of Washington and the Port of Seattle. They also suggested new approaches for assisting distressed neighborhoods and industrial areas, and they developed a wide range of ideas for ways that the city can help promote education and worker training, entrepreneurship, capital formation, and access to capital.

Key recommendations to the Mayor include:

- Support and campaign for the state transportation funding package set forth in Referendum 51, while working to ensure greater equity for Seattle.
- Support the University of Washington and its capacity to generate new jobs and businesses.
- Simplify land-use and zoning codes that have grown to more than 1,500 pages and inflate Seattle housing costs.
- Work with the Port of Seattle to develop and implement a common vision for Seattle's seaport that will enable the city to remain an international center for marine industries while accommodating new economic opportunities.
- Change the way the city taxes technology businesses. Development of technology shouldn't be treated as manufacturing because current development costs are not related to current income. Don't create a disincentive for knowledge-based companies that can easily relocate.
- Strive to maintain a utility rate structure that supports wealth-generating economic activities and create a new program to plan and fund basic utility infrastructure.

- Focus economic development programs on distressed business districts and develop new partnerships with other governments to serve the city's designated industrial areas.
- Boost the city's small business base by improving customer service programs, creating ombudsmen or "troubleshooter" services for businesses experiencing problems with government. Also, help small businesses to address their parking problems.
- Be a regional advocate for work force development, training and apprenticeship programs. These programs empower people to improve their work skills. The Mayor of Seattle, working with Seattle and neighboring Community College presidents, should be their public champion.
- Market Seattle as a city that helps businesses to succeed. Work with other governments and agencies in the region to develop a "Seattle: Open for Business" program aimed at attracting companies that pay family-wage jobs, as well as supporting tourism, conventions, music and film making, and other businesses.
- Develop an interdepartmental economic development strategy that makes the retention and growth of "family-wage" jobs and an increased tax base primary objectives for city government. The strategy should account for all city departments. It should include a public-private plan to spur capital formation and entrepreneurship. It should also help to create stronger links between workforce development programs and the needs of family-wage employment sectors.

The Task Force members are fully prepared to work with the City to help implement these recommendations and requests that the Mayor meet with the Task Force quarterly to discuss progress.

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**INTRODUCTION**

*A builder with 30 years of experience in Seattle building apartment buildings used to be able to apply for a building permit and start construction within six or seven months. The process now takes more than two years as a result of new regulations and inspections resulting from more than 1,500 pages of city zoning and land-use codes. “It used to be that when you got a city building permit, you were between third base and home,” he says. “When you get a permit now, you’re only between first base and second.”*

*A woman who owns styling salons in Mercer Island and Pioneer Square used to turn a profit on both, but the Seattle salon started losing money as a result of disruptions caused by the Nisqually earthquake, the 2001 Mardi Gras riot, game day influxes of Mariner fans at Safeco Field, a lack of parking and street behavior that frightens customers. Now, profits from the Mercer Island salon are carrying both businesses and the owner doesn’t know how long her Seattle salon can last.*

*A manufacturer of kitchen countertops wanted to expand his Duwamish production plant in 2001. He called the City of Seattle to learn what help was available. None was. He called Tacoma where staff showed him potential sites, helped him find a realtor and ushered him through the city permitting process and within three months, his new 15,000 square foot plant in Tacoma was up and running. In Seattle, he says, “the people at the city didn’t really seem interested. In Tacoma, they did everything they could. Their goal is to get more business.”*

The City of Seattle Comprehensive Plan, adopted in 1994, recognizes that “A strong economy is fundamental to maintaining the quality of life in Seattle in order that individuals may meet their basic needs for food and shelter, health care and education.”

At the time the policy language was adopted, the city was experiencing the birth of its greatest economic boom since the Alaska gold rush. Eight years later, the city, like the Pioneer Square salon owner, faces a less certain economic future.

Boeing’s decision to move its corporate headquarters. The seismic blow to Pioneer Square and the Alaskan Way Viaduct. The dot.com implosion. Skyrocketing utility rates. Ever-climbing housing costs. Post 9/11 anxieties. Massive Boeing layoffs. A growing backlog of unmet transportation needs. Continuing problems with the delivery of effective public education services. The chronic challenge of reaching regional consensus on basic government services.

All these and more are among the clouds on the city's once gleaming economic horizon.

Against this backdrop, in March 2002, Mayor Greg Nickels appointed an Economic Opportunity Task Force to renew the city's economic development "blueprint" and to develop a "To Do" list of potential actions to aid and expand the city's job base, and to improve its business climate.

The task force included 38 members reflecting the economic and social diversity of the city. Members included business owners from a wide variety of industries, labor leaders and associations, community representatives and three government officials.

Task force members formed three subcommittees to focus their efforts and interests in the broad subject areas of employer assistance; investment, promotion/marketing and entrepreneurship; and workforce, education and training.

The employer assistance committee researched and developed recommendations concerning the ways that job retention and growth are impacted by taxes, fees, infrastructure, regulations and permitting. The investment-entrepreneur subcommittee developed recommendations regarding financial investment and assistance, marketing and ways to support entrepreneurship. The workforce subcommittee created recommendations for ways the Mayor and City can support regional job training and placement programs for disadvantaged individuals and apprenticeship programs for the construction and industrial trades and emerging industries.

This is the Task Force's Report to the Mayor, the City Council and the larger community. This report presents an action agenda, discusses key findings and details all the findings and recommendations of the three subcommittees.

The Task Force is unanimous in its desire to see the City take action to implement its recommendations and not have this report fall to the status of "sitting on the shelf". The Task Force recognizes that many of the recommendations will take time to implement and its members are prepared to continue working with the City to help make these recommendations a reality. The Task Force will request the Mayor to meet with them again quarterly in the coming year to track the progress in implementing the recommendations and discuss ways the Task Force can help with implementation.



## **RECOMMENDATIONS**

### **An Action Agenda: An economic opportunity “To Do” list**

In spite of a remarkable run of bad economic news, greater Seattle still has tremendous assets.

These include a highly skilled and educated workforce, and the presence of a highly diverse and successful business base that includes both high-tech and traditional manufacturers, a world-class research university, renowned retailers, biotech and health leaders, thriving shipping and transportation companies built around excellent rail and highway access, a deep-water port with close proximity to Alaska and Asia, a tremendous fishing fleet, the world’s largest collection of specialty beverage companies, outstanding tourist attractions, a vibrant arts and entertainment industry, terrific recreational opportunities, and astounding natural beauty.

These form an exceptionally strong starting point for a renewed city commitment to support the economic underpinnings that allow so many Seattle residents to enjoy an exceptional quality of life. They are why Seattle possesses such outstanding opportunities to make prosperity more accessible to disadvantaged citizens and communities.

In the view of the Economic Opportunity Task Force, the Mayor, City Council and top city managers can best build on those assets in the following ways:

#### **1. Improve transportation.**

Transportation is the number one priority of the business community and citizens at large.

- A.** Support and campaign for the state transportation funding package set forth in Referendum 51, while working to ensure greater equity for Seattle.
- B.** Continue to work with city officials across Washington to help state government develop a more responsible approach to transportation funding.
- C.** Help create and pass a successful regional transportation funding measure.
- D.** Support and expand public transportation service to increase transportation options for workers.
- E.** Follow through on the draft Freight Mobility Strategic Action Plan, which provides for direct input by the freight community.

- F. Use the interactive model of the draft freight mobility plan to solicit citizen suggestions to improve traffic conditions.
- G. Develop a more effective signage program for the city.
- H. Develop a transportation maintenance strategy to catch up on arterial and bridge maintenance needs within five years and implement sustainable future transportation maintenance budgets.

## **2. Support higher education in general, and the University of Washington in particular.**

Institutions of higher education are essential to the city's economic future, especially the University of Washington. Already Seattle's largest single employer, the UW has the potential to be the largest job creation initiator in Washington for decades to come. The UW has been crucial to the formation of some 170 businesses in the past 20 years, including Zymogenetics, Immunex, Microvision, Micronics, and Lumera Corporation. These companies have revenues estimated at \$2 billion and generate approximately 8,000 jobs. And future job growth could be greater. The Task Force recognizes that while organized labor participated in the Task Force and concurs with the final report, the King County Labor Council and its affiliates at the University of Washington continue to have outstanding issues regarding labor relations at the University.

- A. The Mayor and City Council should be champions of the UW and the Community College system in Seattle and for increased higher education funding from the state.
- B. The Mayor should form a City-UW action team to achieve common goals and objectives including creation of a UW research park inside the city, removal of restrictions on UW expansion in the University District, and retaining top-notch faculty members being wooed by other schools.

## **3. Simplify land-use and zoning codes and adopt short-term reforms.**

Over the past 23 years, Seattle's land-use and zoning codes have grown into a complex set of regulations more than 1,500 pages long. The regulations were put in place to protect the environment, create and maintain attractive neighborhoods, conserve energy, protect views, preserve open space, and for many other important public objectives.

However, the regulations and accompanying process are increasingly unwieldy, overly complex, difficult to understand and unnecessarily time consuming and costly. While the

city has made strides, the City's goal should be to make regulations and process much more user friendly and cost-effective and far less cumbersome and lengthy.

- A.** The Mayor should work with the City Council to initiate a program to simplify these codes and assure they support the city's comprehensive plan adopted in 1994. The city could gain considerable insight from the permitting practices and philosophies in nearby cities such as Renton and Tacoma.
- B.** The City should work with consumers and stakeholders to conduct pilot projects for reform, such as allowing residential buildings to meet their parking needs through shared use parking with nearby commercial buildings.
- C.** The City should consider a regulatory structure that set requirements for performance in place of prescribing exactly how that performance should be achieved. A recent example is the City's new energy code. Instead of setting performance requirements for new buildings, and letting the builder have flexibility in how to meet the standard, the new code prescribes what type of windows a building needs to meet the standard. By one account, this approach could add \$1.6 million to the cost of a currently proposed condominium building.
- D.** The city should adopt as soon as possible the following recommendations, which were adapted in part from recommendations outlined in the report, "Lowering the Cost of Building Housing in Seattle" (See Appendix A). That report was prepared by a broad coalition of for-profit and non-profit developers as well as affordable housing advocates and business organizations. The Task Force recommendations are:

  - 1. Tailor parking requirements to car ownership rates and availability of transit in individual neighborhoods.
  - 2. Seattle should raise the threshold for application of SEPA to 20 units in all zones, provided that negative budget impacts, if any, be fully mitigated; for example, by continuing to impose fees for processing applications that would have been subject to review under the existing threshold. Comprehensive plans and neighborhood plans have yielded enough data to determine the impact of small projects, and this data should be used in lieu of an EIS.
  - 3. Review zoning on the periphery of neighborhood commercial zones and determine areas where retail is not at all feasible in the foreseeable future. Allow an exemption from the retail requirement in those peripheral areas.
  - 4. Allow flexibility in the use of ground floor spaces until such time as a retail use becomes commercially feasible. Ground floor space could be designed for future retail use, but used for residential or another commercial application in the interim. Allow developers to pay a fee in lieu of on-site recreation

space so more units can be constructed and the neighborhood can obtain larger and more useable public open spaces.

5. Consider making the method of determining required recreation space in housing developments in commercial zones the same as that used in multi-family zones (25 percent of lot area).
  6. Institute latecomer fees to ensure that the developer of one property does not subsidize future developments in the same vicinity. Latecomer fees should be reasonable and consistent across all utilities.
- E. While the city has been working to improve the permitting process, the city should develop a plan to implement one stop permitting to make securing the multiple permits that are often required more convenient and less time consuming.
- F. The city should establish an appropriate working group within city government to review all policies and procedures that relate to filming in the City of Seattle. Look for ways to streamline, simplify and reduce costs as part of an effort to encourage the production of television and feature film production in Seattle.

#### **4. Work with the Port of Seattle, private marine business and labor to develop and implement a common vision for Seattle's seaport.**

Port officials are considering new uses for Terminals 90 and 91 in the northeast corner of Elliott Bay and for Terminal 46 on the central waterfront near the two new professional sports stadiums. These are unique public holdings that afford tremendous opportunities for new business growth and employment. Planning for the future of these holdings also presents an opportunity to improve public sector support for Seattle's maritime and fishing industries.

The importance of the city's water-oriented economic cluster is often overlooked. The North Pacific Fishing Fleet, based in Ballard's Salmon Bay, accounts for about 40 percent of the entire U.S. domestic fish harvest, according to a Port study, and its presence in Seattle provides work for hundreds of businesses that process, store and distribute seafood, or that service, repair or supply ships. Seattle is also enjoying a resurgence in ship and boat building and is home to many private maritime shipping, tugboat and tour companies. The Port continues to oversee one of the largest container cargo complexes in North America and hosts a growing cruise ship trade.

These activities are subject to a dizzying array of federal and state regulations, City of Seattle land-use and fire restrictions, and pressures from economic competition. Maritime representatives contend they lack effective input in the development of such policies.

- A. The City should work with the Port to establish a task force including private maritime and fishing representatives, labor organizations, and other stakeholders to develop a common vision and support program for the future use of Port properties that helps ensure the continued vitality of marine businesses and supports new opportunities for business and employment growth.
- B. Where a common vision and support program for use of Port properties has been established, the City and the Port should form a joint team to expedite planning and permitting for future development opportunities at Seaport-owned property and for investments in marine infrastructure and facilities.

## **5. Change the way the city taxes technology businesses.**

Seattle enjoys a long tradition of economic enrichment by advanced technology firms of the type that regularly spin off of such entities as Boeing, Microsoft, and the University of Washington. Yet, the City's Business and Occupation (B&O) tax was recently revised to treat technology development as manufacturing, with a credit for all research and development activities conducted in Seattle. This creates a major disincentive for technology-based, research-intensive businesses to start-up, remain in, or move to Seattle. These are among the types of businesses the city should most want to keep. Knowledge-economy businesses must pay their fair share of taxes, but the City's B&O tax on technology businesses should be replaced with a revenue-neutral source that does not create this disincentive.

- A. The City should not tax research and development, and should consider a revenue-neutral repeal of recent changes in the B&O tax structure, a disincentive to local growth of technology-based industries.
- B. The City should work with industries whose activities include research and development to analyze applicability of B&O and other tax structures on technology development.

## **6. Examine utility rate structures, organization, and infrastructure.**

For decades, cheap Seattle electricity quietly helped to support basic economic activities critical to the regional economy, including aerospace research, cold storage for fish and other food products, and metal fabricating. Rate spikes ended the bargain. Growth in the last decade has put more demands on the City's infrastructure with specific areas of the City such as South Lake Union poised to see even more development. The City must be prepared to have the utility infrastructure in place to accommodate new development.

- A. The Mayor and City Council should strive to maintain both commercial and industrial rate structures that support the economic vitality of key industrial activities and commercial businesses in Seattle.
- B. The city should also adopt a “benchmark” program to track rates being assessed in other regions to assure that City Light industrial and commercial rates remain as competitive as possible.
- C. Identify areas of the City that have the greatest potential for living wage jobs and tax base growth and implement a comprehensive strategy to focus planning and infrastructure resources there for the next five years.
- D. Partner with the private sector to develop and implement strategies that will connect more business locations to existing broadband telecommunication networks (“last mile problem”) and increase access to broadband telecommunications services in non-downtown neighborhoods.

**7. Focus economic development programs on distressed business districts and the unique needs of small businesses, including woman and minority owned businesses.**

The City’s objective should be to ensure that Seattle is an outstanding location for small businesses, start-up firms and entrepreneurs, including women and minority owned businesses, to thrive. That is a real challenge in today’s difficult economy. Businesses in parts of the city – including the Rainier Valley, Pioneer Square, the Broadway district on Capital Hill, the University District, and the Central Area -- face even more serious economic challenges. The city should increase economic development efforts to aid these areas. In the Rainier Valley, this effort should be coordinated with the mitigation program for construction of the Sound Transit light-rail line.

- A. Consider the potential use of investment tax credits in designated economic development zones.
- B. Partner with other government jurisdictions and the private sector to develop annual work plans to address existing and emerging infrastructure and public service needs (transportation, utilities, police, zoning, social services, recreation, etc.) for targeted Neighborhood Business Districts.
- C. Increase police presence in neighborhood business districts, especially after dark.
- D. Establish Alcohol Impact Areas in Pioneer Square and other business districts to prohibit sales of high alcohol content beer and wine preferred by chronic public inebriants.

- E.** Implement a “best practices” initiative to assess and implement strategies successful in other regions for aiding distressed communities.
- F.** Identify and implement different programs to increase the supply of convenient parking for customers in the City’s Neighborhood Business Districts, including public financial participation in the construction of revenue-backed parking garages only if economically feasible.
- G.** Charge the Mayor’s Small Business Task Force with developing an action plan to improve city responsiveness to small businesses and start-ups. The effort should identify and assess all interaction points between the city and small businesses to determine the extent to which they are “user friendly.”
- H.** Expand the role of Small Business Assistance Centers in the City, particularly to provide training and know how for women and minority owned businesses.
- I.** Reform the process for construction bonding and break down bid packages into smaller pieces where practical to improve access for small firms.
- J.** Publicize more widely the lists of small business firms qualified to do business with the City.

## **8. Improve customer service.**

The Task Force recognizes that city employees provide services vital to maintaining economic opportunity and the quality of life. The Task Force also recognizes the pressures city employees face given the city’s budget crises. Great customer service is often key to business success, and it can be just as important to how well the City works with and supports its business community. More than a few in the business community believe the City can do more to make itself more user friendly, such as extending open hours for some agencies. The City sometimes must say “no” in fulfilling its regulatory responsibilities, but even in that role there is room for the City to take a problem solving approach that can often make the difference for a business seeking to operate or grow in Seattle. The customer service program by the Seattle Public Library and the City’s new pothole program offer best practices to build on.

- A.** Building on Seattle’s nationally recognized labor/management process, the city should form a city management/labor team to continue improving customer service. The team will examine “best practices” to develop innovative ways to become more user friendly to business and the general public.
- B.** Assign “troubleshooters” empowered by the Mayor to investigate and fix specific problems reported by businesses. Publicize phone number to reach troubleshooters

(Open for Business theme). Use the initial experiences and needs identified by the troubleshooters to inform the customer services action plan.

## **9. Be a regional advocate for work force development, training and apprenticeship programs.**

Public employment training programs for the disadvantaged are managed through a regional consortium called the Workforce Development Council (WDC) of Seattle-King County. The Council is attempting to develop successful marketing programs to make the public, potential clients, and employers more aware of services available through the consortium's "WorkSource" program.

The Community College system is the key workforce training organization in Seattle. Every year, the Community Colleges seek to serve the training and educational needs of 50,000 students, many whom are disadvantaged, to train them for new or better jobs in an every changing economy.

The City of Seattle should take an active role in helping the Council and the Community College system to meet their objectives. Support should include outreach efforts to Seattle businesses and City incentives and/or recognition for employers who participate. The City could also help training and education programs to better understand the career opportunities that exist within the local labor market.

### **1) Enhance Coordination between economic development and workforce development.**

- A.** In keeping with the City's small business award program, the City should support an expansion of the award program to recognize businesses that engage in workforce excellence, as measured against performance criteria.
- B.** The City, especially OED, works in partnership with the WDC to connect economic development efforts with workforce development. A project for joint sponsorship should include sponsoring customized training as a way to build or retain a business or industry.
- C.** Use the successful models of the Seattle Jobs Initiative and joint labor-management training programs in Philadelphia and New York City to meet the growing demand for health care workers. Coordinate those services and programs through the WorkSource system.
- D.** Coordinate with WorkSource to provide employer services such as tax credits, and training opportunities access to benefits campaign. Link current efforts by the Community Capitol Development program funded by the City with WorkSource business services.



- E. The City should investigate ways to provide incentives for employers to promote wage progression and retention for workers.

**2) Improve access and awareness of workforce training and education programs available to employers and students within K-12.**

- A. Improve and financially support marketing of services (both current services and expansion) so that businesses are informed.
- B. Form an advisory task force that is industry driven to identify marketing campaign goals and monitor progress and outcomes.
- C. Sponsor a marketing and promotion campaign to K-12 system (teachers, counselors, and students) on what is available within public employment and training programs/services. Dedicate one FTE with effective marketing skills to lead this effort. Coordinate this campaign with Workforce Development Council's Youth Council efforts.

**3) Expand Capacity of training and education programs.**

Mayor should participate with other leaders on Workforce training issues—specifically: coordinate with the Governor, U.S. Senators Patty Murray and Maria Cantwell, WDC, the Community College Presidents, and other leaders to address capacity issues at Community and Technical Colleges.

- A. The City should support and partner with Health Care industry, labor organizations and Community Colleges to launch a medical skills center within the city limits that will expand training capacity, clinical sites, and internship options.

**10. Reduce obstacles to employment and apprenticeships, particularly for low-wage, disabled and under employed populations.**

The City should continue to partner with social service and training providers to assist disadvantaged job seekers.

The City should support efforts to highlight the success of “utilization agreements” that allow apprentices to participate in public construction projects. The city should also support efforts to increase opportunities for women and people of color to enter and successfully complete apprenticeship programs, including emerging and non-traditional apprenticeship programs.

- A. Increase integration of human service supports such as childcare, access to benefits campaign, and training programs.
- B. Better integrate all employment and training programs into the overall WorkSource one stop system.
- C. Continue to support efforts to increase affordable housing for low-wage workers.
- D. Re-examine the impoundment law and it's effects on working people's employment.
- E. Continue to sustain City programs for hiring disabled employees and identify ways disabled employees can improve their skills to keep up with increasing technology used in the workplace.
- F. Bring together the Apprenticeship Trustees to discuss ways that would reduce barriers for entering apprentices who do not have drivers' licenses. Expand the driver's license support work of Apprenticeship Opportunity Program (AOP), including linking this program with the judicial system.
- G. Bring together leaders to work on expanding the number of women and people of color entering and successfully completing apprenticeship programs.
- H. Expand non-traditional and new apprenticeship programs such as retail, cosmetology, and teacher's assistants, in coordination with Community Colleges, the small business community and immigrant communities.

## **11. Market Seattle internally and externally as a city that helps businesses succeed.**

The city should partner with regional promotional efforts to create an integrated and multifaceted marketing program promoting greater Seattle as a great destination for tourists, conventions, and new businesses. The effort should include a regional web site that is a portal to links to information about Seattle's competitive advantages, data, contacts, and information on locating and starting a business.

- A. Mayor should direct OED to partner with other regional promotion efforts (Economic Development Council, Greater Seattle Chamber of Commerce, Seattle's Visitors & Convention Bureau, Downtown Seattle Association, Trade Development Alliance, Port of Seattle, WA State OTED, etc.) to create an integrated and multifaceted external marketing program promoting greater Seattle as a great destination for tourists, conventions and new businesses.

- B. Implement a “Seattle: Open for Business” program that includes a regional web portal that links websites providing information about Seattle’s competitive advantages, data, contacts and business assistance, including how to start a business. As an interim step, incorporate links on OED Web site to ensure cross promotion and resource connections.
- C. Tourism: The City should maintain its current level of funding for the Seattle Convention and Visitors Bureau.
- D. Music/Film: OED should develop and promote the music industry as it currently does for the film industry.
- E. Music/Film: Establish a committee to oversee a study on the costs and feasibility of developing a film production soundstage as well as a music recording facility probably at Sandpoint. These facilities would serve as a major enticement to bring more film and music production, and the millions of dollars and thousands of jobs they create, to Seattle and Washington State. The study would look at public/private funding options and involve City, State, King County, Port, private sector, and labor representatives. Provide funds to hire an appropriate consultant to conduct the study.
- F. Use the city's TV station as a vehicle to promote Seattle.

**12. Develop an interdepartmental economic development strategy that targets key business sectors with the greatest potential for good jobs and increased tax base, and that supports investment and positions Seattle as a national center for entrepreneurship.**

The City’s economic development strategy has had success revitalizing downtown, attracting tourism, accommodating the growth of the biotechnology industry, and supporting new development in Seattle’s distressed communities. Today’s changing economic conditions demand the City refocus its economic development strategy on new economic opportunities and challenges building on its strengths and addressing its weaknesses.

The City’s economic develop strategy should identify key business sectors for retention and recruitment, and work with industry groups to identify specific beneficial steps that can be taken to address public sector issues or activities that hinder or support each industry. Of special note, the city should recognize that city neighborhood plan implementation programs designed for residential and retail communities and are not a good fit with the designated industrial centers in Ballard-Interbay and the Duwamish. These centers were established through regional policies adopted pursuant to the state Growth Management Act and their needs require actions by local, regional and state levels of government.

In its young history Seattle has been a place that attracted entrepreneurs ready to create new business opportunities from provisioning miners heading to Alaska to developing a new market for cutting edge software. Building on that history, Seattle can become a national center for entrepreneurship that could attract even more investment.

**1) Develop targeted, pro-active strategies, partnerships, and programs to support and attract existing and new industries that are key to the city's job and tax base.**

- A. The Mayor should direct all City department heads to collaborate in the creation of an integrated economic development plan to attract and retain family wage jobs.
- B. Identify and focus on a few key business sectors for development and retention at a time such as maritime and biotech. Other potential sectors include software, photonics, and nanotechnology food processing (including specialty beverages), wholesale/distribution (including transportation), tourism, film and music.
- C. Develop economic advancement strategies through a private-public, interactive model similar to the City's new Freight Mobility Action Plan. Work with industry groups to identify specific beneficial steps that can be taken to address city, county, port, state and federal issues or activities that hinder or support their industries. Efforts should address land needs & zoning issues, relevant permitting problems, and workforce needs.
- D. Give special attention to developing new partnerships with other governments to address the unique existing and emerging infrastructure and public service needs of the city's designated manufacturing and industrial areas. These centers were established by regional policies adopted as part of the state Growth Management Act. The policies required cooperative actions by different levels of government to meet the public service needs of the designated centers. These actions have not yet occurred.

**2) Position Seattle as a national center for entrepreneurship with local policies and processes that encourage, facilitate and support entrepreneurial activities.**

- A. Link up with Governor's Entrepreneurial Taskforce and identify recommendations from the Taskforce that the City can adopt to support entrepreneurship in the following areas: 1) Visibility, 2) Infrastructure, 3) Education, 4) Support, 5) Technology, and, 6) Business Climate.
- B. The City's Office of Economic Development should identify opportunities for the Mayor and local media to promote entrepreneurship as well as the fundamental concepts associated with its development.

- C. OED should develop a “Best Practices” Web site with entrepreneurial resources for start up businesses by partnering with other entrepreneurial organizations such as the Technology Alliance, Northwest Entrepreneur Network, Washington Technology Center, and the Economic Development Council.

**3) Increase private financial investment in Seattle by forming a collaboration with the investment community to develop strategies for attracting and retaining business investment, and stress the important role of private equity in fostering growth and development of targeted industries.**

- A. Mayor should appoint an Investment Advisory Council (IAC) which will advise the Mayor and OED on short and long term investment and capital formation strategies. The IAC should be comprised of representatives from financial institutions, venture capital firms, and trade associations and labor groups.
- B. OED should work with the IAC to develop and execute a private capital formation plan that will provide a strategic framework for how the city can better understand the direction of business investment in Seattle, harness existing resources to attract new investments, facilitate the capital investment process, and initiate an active dialogue with business leaders on a 5-7 year strategic action plan.
- C. The IAC will develop guidelines and proactive strategies to attract and retain desirable business investment in industries with high growth potential, a strong local presence, higher than average wages and the use of a highly skilled workforce (See Appendix B for a list of potential strategies the IAC should investigate).

## APPENDIX A

# Lowering the Cost of Building Housing in Seattle

## *Introduction*

*The Growth Management Act calls for a balance of jobs and housing. Seattle falls far short of such a balance, and the trend is in the wrong direction, leading to higher prices. In order to keep rental and sales prices in Seattle reasonable there must be a significant increase in housing construction in the city and the recommendations in this paper will help encourage such activity.*

### **Housing growth falling further behind job growth**

Throughout the region, the jobs-housing ratio stands at 1.45, or approximately three jobs for every two housing units. In Seattle, by contrast, this ratio is 2.17. This translates into a shortage of about 125,000 housing units. This shortage is getting worse, as Seattle has added only one housing unit for every five jobs in the past decade.

Seattle cannot continue to rely on suburban "bedroom" communities to provide housing for in-city jobs. The jobs-housing ratio in East King County is about the same as that in Seattle. The Eastside is having the same difficulty as Seattle meeting the housing needs of its own burgeoning employment base, and cannot be expected to meet Seattle's needs as well. South King County and South Snohomish County can provide some relief for Seattle, but with transportation corridors operating at capacity, these areas will provide a diminishing source of housing for people working in Seattle.

### **Housing shortages mean higher prices**

The laws of supply and demand apply fully to the housing market. In the rental market, as vacancy rates have dropped to very low levels, rents have increased dramatically. Over the past decade, rents have climbed 54 percent in Seattle, while prices in the rest of the economy have increased 27 percent.

### **Lowering building costs will increase housing supply and lower prices**

The recommendations below will help lower the cost of building multi-family housing in Seattle. This, in turn, will make more projects financially feasible and will make Seattle a more attractive place for housing developers to do business. More active developers, more projects and more competition will have two effects. First, higher vacancy rates will lead to moderating rents. Second, lower per-unit cost will encourage projects based on lower rents or sales prices, so a wider part of the market will be served with new housing.

### **Recommendations**

The recommendations can be implemented in relatively quick fashion and are discussed in greater detail on the following pages. In no order of preference or importance, they are:

1. Tailor parking requirements to car ownership rates and availability of transit in individual neighborhoods.
2. Allow residential buildings to meet their parking needs through shared use parking with nearby commercial buildings.
3. Require that SEATRAN approve plans and issue permits with only one set of corrections.
4. Seattle should raise the threshold for application of SEPA to 20 units in all zones.
5. Allow an exemption from the retail requirement in areas where retail is not at all feasible in the foreseeable future.
6. Allow flexibility in the use of ground floor spaces until such time as a retail use becomes commercially feasible.

7. Allow developers to pay a fee in lieu of on-site recreation space so more units can be constructed and the neighborhood can obtain larger and more useable public open spaces.
8. Make the method of determining required recreation space in housing developments in commercial zones the same as that used in multi-family zones.
9. Allow exceptions to street width standards where it can be demonstrated that the street will get little use.
10. Require minimal upgrades to alleys except where heavy truck use is anticipated.
11. Restructure infrastructure finance requirements to make land developers responsible for a smaller share of surrounding infrastructure improvements.
12. Institute latecomer fees to ensure that the developer of one property does not subsidize future developments in the same vicinity.



# Lowering the Cost of Building Housing in Seattle

## Neighborhood Business Council Greater Seattle Chamber of Commerce Impact Capital The Housing Partnership

*Representatives of for-profit and not-for-profit housing developers, as well as advocacy and business organizations met on June 7 and June 28, 2000 to discuss ways to lower the cost of housing development in Seattle. The meeting was convened by the Neighborhood Business Council, the Greater Seattle Chamber of Commerce and the Local Initiative Support Corporation/Impact Capital. The Housing Partnership provided staffing and drafting assistance. The following issues and recommendations came out of those meetings.*

\* \* \* \* \*

In order to achieve a variety of objectives, the City of Seattle has adopted zoning codes, building codes and design standards that add complexity and cost to projects. While each of the objectives embodied in land use and building codes has its merits, the cumulative effect of these codes is to dramatically increase the cost of producing housing in Seattle. It has become very difficult, if not impossible, to build the sorts of inexpensive buildings which make up much of the current affordable housing stock in the city.

Based on their experiences building housing in Seattle, representatives of for-profit and not-for-profit developers identified many areas of building and land use codes that can be changed to lower housing production costs without compromising the quality of Seattle's built environment. The following report describes specific recommendations thought by the participants to have a good chance of adoption by the City of Seattle and a high likelihood of having a measurable impact on housing development costs.

### **Parking requirements**

Parking spaces add significant costs to construction of multi-family housing. This parking is extremely expensive -- up to \$25,000 per stall -- and drives new construction housing out of the affordable range. Multi-family construction becomes uneconomical in many neighborhoods where prevailing rents cannot support buildings with structured parking. Changing lifestyles, land uses and patterns of car ownership, and the growing availability of transit, make it possible to change parking requirements without negative impacts.

***Recommendation 1:*** Tailor parking requirements to car ownership rates and availability of transit in individual neighborhoods.

***Recommendation 2:*** Allow residential buildings to meet their parking needs through shared use parking with nearby commercial buildings.

### **SEATRAN inspections**

One of the most challenging areas of permitting for developers in Seattle is getting approvals from SEATRAN. There seems to be little consistency among plan reviewers and plans are repeatedly returned for changes required by different individuals. With SEATRAN, what appear to be approvals or decisions are, in fact, often not.

***Recommendation 3:*** Require that SEATRAN approve plans and issue permits with only one set of corrections.

### **Application of SEPA**

The State Environmental Policy Act requires study of environmental impacts and issuance of an Environmental Impact Statement for large development projects. Although the state mandates EISs for certain sized projects, cities have some discretion over thresholds of application. Currently in Seattle, an EIS is required for projects as small as four units or 4000 square feet. Thresholds are slightly higher in some zones. EIS's are costly to produce and lead to expensive delays.

***Recommendation 4:*** Seattle should raise the threshold for application of SEPA to 20 units in all zones. Comprehensive plans and neighborhood plans have yielded enough data to determine the impact of small projects, and this data should be used in lieu of an EIS.

### **Mixed use requirements in commercial zones.**

The City of Seattle currently requires residential buildings in neighborhood commercial zones to have retail space on the ground floor. This requirement ignores the possibilities that a property may be poorly located for retail use or that the retail market in that neighborhood may be saturated. Such retail space is difficult to finance and often places a burden on the overall financial performance of the project.

***Recommendation 5:*** Review zoning on the periphery of neighborhood commercial zones and determine areas where retail is not at all feasible in the foreseeable future. Allow an exemption from the retail requirement in those peripheral areas.

***Recommendation 6:*** Allow flexibility in the use of ground floor spaces until such time as a retail use becomes commercially feasible. Ground floor space could be designed for future retail use, but used for residential or another commercial application in the interim.

### **Recreation space requirements**

The City requires on-site recreation space in multi-family projects. This can result in substantially fewer housing units being constructed while producing awkwardly configured spaces that have little value to either the residents of the building or the

surrounding neighborhood. The method of measuring recreation space in commercial zones is different from the method used in multifamily zones.

***Recommendation 7:*** Allow developers to pay a fee in lieu of on-site recreation space so more units can be constructed and the neighborhood can obtain larger and more useable public open spaces.

***Recommendation 8:*** Make the method of determining required recreation space in housing developments in commercial zones the same as that used in multi-family zones (25 percent of lot area).

### **Street widths**

Standards for street widths are set on a city-wide basis, regardless of the actual use of the street. In many cases, streets do not need to be as wide as prescribed. Extra street width not only costs money in itself, but it also requires increased surface water system capacity.

***Recommendation 9:*** Allow exceptions to street width standards where it can be demonstrated that the street will get little use (such as a dead-end).

### **Alley standards**

Seattle has continued to require upgrading of alleys at the expense of developers, even though alleys are not widely used for large vehicles. Where existing alleys are 16 feet wide, the City has required developers to donate an additional two feet on either side, to bring the alley to 20 feet total. Further, alleys are required to be concrete paved, even though heavy trucks rarely use them.

***Recommendation 10:*** Require minimal upgrades to alleys except where heavy truck use is anticipated.

### **Infrastructure costs**

A shortage of funding to build new infrastructure or to bring existing infrastructure up to new standards has led local governments to load infrastructure costs onto new development. This significantly raises the cost of land development, making some areas uneconomical to redevelop and driving up unit costs in areas that are being redeveloped. Unfair allocation of infrastructure costs results in a game of "chicken" in which landowners wait for adjacent properties to be developed first.

***Recommendation 11:*** Restructure infrastructure finance requirements to make land developers responsible for a smaller share of surrounding infrastructure improvements. Remediation of deficiencies and improvements to overall transportation and utility systems should be funded on a city-wide basis.

***Recommendation 12:*** Institute latecomer fees to ensure that the developer of one property does not subsidize future developments in the same vicinity. A latecomer

program should be consistent across all utilities and should not depend on high fees charged to developers.

## Appendix B

The Economic Opportunity Task Force recommends the proposed IAC investigate the following potential strategies as part of its workplan:

- Replicating programs found in other jurisdictions and states that use pension funds for programs to support targeted economic activities. Review City's pension plan investment strategies relative to venture capital funds; evaluate City's role on city Pension Board. Study successful models of municipal investments including: Crocus Investment Fund, a labor-sponsored fund in Winnipeg, California Public Employees' Retirement System (CalPERS) Landmark Growth Capital Partners Fund.
- Encouraging the private sector to shift deal sizes to include smaller gap financing projects. For example, create several new equity funds to provide additional funding (\$500,000 to \$1,000,000 level)
- Provide assistance to get small businesses to venture capital level and establish as many funding options as possible. Create additional equity not debt.
- Review minority businesses capital needs.
- Review Site Selection Magazine's Top Ten Economic Development Programs List and Brandow Company's industry profiling reports ([brandow.com](http://brandow.com)).
- Explore markets beyond high tech. Educate city officials and investors about the possibilities. Investment experts can perform education function (e.g. Alliance of Angels, Northwest Entrepreneurs Network. Tabor 100)
- Find economic motivation for investors to shift focus of investments by defining areas where dollars should flow. Need to define target markets.
- Create better access to capital for both high tech as well as non-high tech companies by connecting people with capital to entrepreneurs including minority businesses.